

Message Text

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ACTION AEC-11

INFO OCT-01 ARA-16 ISO-00 AECE-00 ACDA-19 CIAE-00 INR-11

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O R 141512Z AUG 74

FM AMEMBASSY BRASILIA

TO SECSTATE WASHDC NIACT IMMEDIATE 5066

AMCONSUL RIO DE JANEIRO

AMCONSUL SAO PAULO

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E.O.11652: N/A

TAGS: TECH, ENRG, BR

SUBJECT: AEC ENRICHMENT CONTRACTING

REF: STATE 076251

1. REFTEL RESPONSE TO BRAZILIAN REACTION ON AEC ENRICHED URANIUM CONTRACT IS IN EMBASSY'S OPINION LESS THAN FULLY SATISFACTORY FOR CALMING CONTINUING GOB ANXIETY OVER CONDITIONAL NATURE OF THEIR CONTRACTS. IF FIRMER ASSURANCES CANNOT BE GIVEN, HOWEVER, EMBASSY REQUESTS IMMEDIATE AUTHORIZATION TO CONVEY CONTENTS OF REFTEL, APPROPRIATELY EDITED, AS A NOTE OR AIDE MEMOIRE TO FOREIGN MINISTRY, WITH COPIES TO THE MINISTER OF MINES AND ENERGY, CHAIRMAN OF THE CNEN, AND PRESIDENT OF FURNAS. SINCE AEC CANNOT GIVE WRITTEN ASSURANCES THAT MATERIEL UNDER CONDITIONAL CONTRACTS WILL BE DELIVERED, WE BELIEVE IT WILL HELP SITUATION AND STRENGTHEN OUR RESPONSE TO TRANSMIT OUR GOOD FAITH PROMISE AND CLARIFICATIONS CONTAINED PARAS 2, 3, AND 4 OF REFTEL IN A FORMAL MANNER RATHER THAN VERBALLY. ALTHOUGH SOME ASPECTS OF PARAS 5-8 APEAR TO US TO BE RATHER LEGALISTIC, EMBASSY WILL, OF COURSE, MAKE THE ARGUMENTS AS GIVEN BUT WILL DO SO ORALLY. IF, HOWEVER, THE BRAZILIAN AUTHORITIES REQUEST THE INFORMATION IN WRITING, WE

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OWWILL PROVIDE IT.

2. DRAFT NOTE/AID MEMOIRE:BEGIN QUOTE:

WITH REFERENCE TO RECENT CONVERSATIONS WITH OFFICIALS OF THE MINISTRY OF EXTERNAL RELATIONS AND WITH OFFICIALS OF OTHER AGENCIES OF THE GOVERNMENT OF BRAZIL CONCERNING THE ALLOCATION OF CONTRACTS FOR ENRICHED URANIUM SERVICES BY THE UNITED STATES ATOMIC ENERGY COMMISSION. THE EMBASSY WISHES TO PROVIDE THE FOLLOWING CLARIFICATION.

THE PRESIDENTIAL STATEMENT OF AUGUST 6, 1974, A COPY OF WHICH IS ATTACHED, CONTAINS THE KEY SENTENCE, "THE PRESIDENT ASSURES HOLDERS OF CONDITIONAL CONTRACTS THAT THE UNITED STATES WILL, IN ANY EVENT, FULFILL THE FUEL REQUIREMENTS IN THOSE CONTRACTS FROM U.S. SUPPLY SOURCES." IN UNDERLING THE IMPORTANCE OF THIS ASSURANCE, THE EMBASSY WISHES TO STRESS TO THE GOVERNMENT OF BRAZIL THAT THIS DECLARATION MEANS THAT THE UNITED STATES GOVERNMENT STANDS BEHIND THE FULFILLMENT OF CONDITIONAL CONTRACTS FROM U.S. SOURCES. IN ORDER OF PREFERENCE THIS WOULD MEAN THAT THE SUPPLY WOULD COME (1) FROM AEC IF PLUTONIUM RECYCLE IS PERMITTED (2) FAILING THIS, FROM PRIVATE U.S. SOURCES: OR (3) FAILING THIS, FROM ADDITIONAL USG CAPACITY.

THE PRESIDENTIAL STATEMENT REFERES TO "U.S. SUPPLY SOURCES", WHICH ARE NOT NECESSARILY THOSE OF THE USG. THE USG IS STRONGLY ENCOURAGING PRIVATE INDUSTRY TO PROVIDE SUCH ADDITIONAL ENRICHING SERVICES. THE PHRASE "IN ANY EVENT" SHOULD NOT BE INTERPRETED AS MEANING "AT SOME TIME IN THE FUTURE", BUT SHOULD BE INTERPRETED AS MEANING THAT ENRICHED URANIUM, DESPITE THE "CONDITIONAL" NATURE OF THE CONTRACT, WILL BE SUPPLIED BY U.S. SOURCES WHEN REQUIRED FOR FOREIGN REACTOR OPERATION. IN THIS REGARD, AEC CHAIRMAN RAY TESTIFIED BEFORE THE JOINT COMMITTEE ON ATOMIC ENERGY ON AUGUST 6, 1974, AS FOLLOWS: "IF PRIVATE ACTIONS ON URANIUM ENRICHMENT DO NOT PROCEED OVER THE COURSE OF THE NEXT YEAR IN ACCORDANCE WITH EXPECTATIONS, THE AEC WILL REVIEW THE SITUATION THEN--OR SOONER IF NECESSARY--AND TAKE ANY NEEDED ACTIONS. THE AEC WILL TERMINATE ENTERING INTO FURTHER LONGTERM CONTRACTING FOR NUCLEAR POWER NEEDS. THIS DOES NOT MEAN THAT SUCH FUTURE NEEDS WILL NOT BE MET. THAT CANNOT BE ALLOWED TO HAPPEN. PRIVATE PLANS EXIST WHICH CAN OVER THE COURSE OF THE COMING YEAR LEAD TO COMMITMENTS TO NEW ENRICHMENT CAPACITY. GOVERNMENT PLANNING CAN BE REVIEWED AT THE END OF THAT PERIOD

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SHOULD PRIVATE ACTIONS NOT MATCH EXPECTATIONS."

THE FOREGOING REPRESENTS THE CONTEXT IN WHICH THE PRESIDENT'S ASSURANCES SHOULD BE VIEWED. THE CONTRACTS ARE BEING MADE CONDITIONAL BECAUSE BY LAW THE AEC CANNOT CONTRACT BEYOND ITS EXISTING CAPACITY AND AEC CANNOT ASSUME THE APPROVAL OF PLUTONIUM RECYCLE BEFORE THAT APPROVAL ACTUALLY AS OCCURRED. THE PRODUCTION CAPACITY TO CARRY OUT THE PRESIDENTIAL ASSURANCE

DOES NOT CURRENTLY EXIST. BUT IT IS NOT NECESSARY THAT IT
EXIST AT THIS TIME. THERE IS A PERIOD OF ABOUT 12 TO 18
ADDITIONAL MONTHS BEFORE A FINAL DECISION NEEDS TO BE TAKEN
TO CONTRACT SUCH CAPACITY IF AN "ENRICHMENT GAP" (IN CONTRAST
TO A "CONTRACTING GAP") IS TO BE AVOIDED. FURTHER, THE AEC
WILL HAVE A PREPRODUCTION STOCKPILE OF UP TO 40 MILLION
SEPARATIVE WORK UNITS (EQUIVALENT TO ALMOST TWO YEARS PRODUCTION
FROM ITS STEADY STATE DIFFUSION PLANT CAPACITY) WHICH
WILL BE IN RESERVE TO MEET EMERGENCY SITUATIONS.

THE EMBASSY EXPRESSES THE BELIEF THAT THIS FURTHER INFORMATION
WILL SATISFY THE CONCERNS OF THE GOVERNMENT OF BRAZIL
REGARDING THE CONDITIONAL NATURE OF THE CONTRACTS UNDER DISCUSSION
AND THEIR FULFILLMENT. END QUOTE.
CRIMMINS

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